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IN THE
Supreme Court of the United States

OCTOBER TERM, 1943

NO. **842**

JAMES P. DOVEL, and

JAMES P. DOVEL & COMPANY, INC.,
a Corporation,

Petitioners and Appellants below

vs.

SLOSS-SHEFFIELD STEEL & IRON COMPANY,
a Corporation,

Respondent and Appellee below.

REPLY OF RESPONDENT, SLOSS-SHEFFIELD STEEL
& IRON COMPANY, TO THE PETITION FOR WRIT
OF CERTIORARI TO THE UNITED STATES
CIRCUIT COURT OF APPEALS FOR THE
FIFTH CIRCUIT

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STATEMENT OF THE CASE

The Pleadings

The complaint contains 43 counts, some of which base the plaintiff's claim upon an express agreement, and others, without any averment of agreement, proceed upon the theory of a contract to be implied from the circumstances alleged.

The original complaint was filed by petitioner James P. Dovel in the Circuit Court of Jefferson County, Alabama, against the Appellee and consisted of 14 counts numbered

from 1 to 14, inclusive. In each count of the complaint plaintiff claimed the sum of \$200.00 as compensation from the defendant for what is termed the reasonable value of the use of a single patent described therein and alleged to have been installed and used in the defendant's operations in the production of pig iron. There are seven patents involved, in all, and each count seeks to recover for the use of the patent therein described. In Counts 1 to 7, inclusive, plaintiff relies upon an implied agreement. Counts from 8 to 14, inclusive, respectively, are essentially duplicates of the first seven counts, but each count contains the additional averment setting up an oral express contract. (R. pp. 1-14, inclusive). Thereafter, on January 2, 1940, the complaint was amended by adding James P. Dovel & Company, Inc., as a party plaintiff, and increasing the amount claimed in each of the counts. After this amendment the suit was removed to the United States District Court. (R. pp. 17 and 469). On January 21, 1941, the complaint was further amended by adding 29 additional counts, each of the additional counts being essentially a duplicate of some one of the original counts. (R. pp. 19-43).

The respondent interposed its answer setting up its defenses to the complaint as amended and to each count thereof (R. pp. 50-58, inclusive). The answer and defenses included a general denial that there was any agreement, express or implied, pursuant to which defendant was obligated to pay for the use of said patented devices as is alleged in the several counts of the complaint, and the further defenses of shop rights, laches, estoppel, statute of frauds, statute of limitations, etc.

At the conclusion of petitioners' testimony, respondent made its motion for a directed verdict which was granted by the District Court. On petitioners' appeal to the Circuit Court of Appeals, the judgment of the District Court was there affirmed (R. pp. 468-473).

STATEMENT OF THE FACTS

The facts set forth in petitioners' statement are totally inadequate and insufficient to apprise this Court of the issues involved and of the bases of the decisions rendered by the District Court and the Circuit Court of Appeals.

Petitioner James P. Dovel entered the employment of respondent in December 1909, and, according to his testimony, was engaged to take charge of furnace construction—of building and repairing blast furnaces, and other equipment (R. p. 179), and the sort of work which he actually did was "all kinds of mechanical work that applies to a blast furnace plant, blowing engines and boilers, brick work and general construction," including blast furnace construction (R. p. 181). He continued in that capacity for about three years and five months, when he was made "manager of furnaces; operation, also." (R. p. 184).

The patented devices for the use of which petitioners claim compensation might be generally described as (1) Cooling Blocks; (2) Heat Recuperator; (3) Bells; (4) Steel Top; (5) The Settling Apparatus. All of Dovel's inventions were at least in part conceived through his observation of the Sloss furnaces and many, if not all, of the ideas and theories out of which his inventions grew were demonstrated at the blast furnaces of his employer. With the possible exception of the gas cooler represented by one of the patents involved, the first installation of each and all of the inventions were made in the Sloss furnace and the devices there tested and tried for the purpose of determining their practicability. This demonstration of practicability formed the basis of the patent applications. All of the expenses of the installation and testing of all the patented devices in the operations of respondent were paid by respondent, including the salary of petitioner Dovel, the salary and wages of all of the Sloss employees who, in

the line and scope of their employment, assisted Dovel in such installations and testings, and the cost of all materials used. The installation and use of all of these inventions were directed by Dovel in the direct line of his duty with the respondent as general manager of furnace construction and operation, and all of the assistance which he received was from other employees of respondent, acting within the line and scope of their duties and employment and paid their regular wages therefor. (R. pp. 273, 274, 279, 280, 281, 284-303, 307, 309, 311-313, 365-426.)

Petitioners in the complaint allege that the patented devices were installed, some on July 30, 1927, and others on August 1, 1927. It was prior to this time that all of these inventions had been installed and tested in practical operations in respondent's furnaces.

The dates laid in the complaint were approximately two years after petitioner Dovel became a Vice President of the respondent and during the time that he, as such Vice President, and as General Manager of Furnace construction and operation, was receiving a salary of \$25,000 per year. (R. p. 272). When he became such Vice President, Mr. Hugh Morrow was President of the Company, having succeeded Mr. J. W. McQueen, and petitioner Dovel did not at any time have any conversation or communication with Mr. Morrow, his only superior, after 1925 when he became Vice President, with respect to any payment for the use of the patents (R. p. 232). Petitioner Dovel remained with the Company until December 31, 1929, and there was no communication of any kind until the demand letter dated July 20, 1936, addressed to the Company (R. p. 442). This demand was made eighteen years after the letter referred to in petitioners petition as petitioners' Exhibit L; fifteen years after the execution of license agreements offered in evidence by petitioners and identified as Exhibits H, I, J, and K; more than eleven years after Dovel became

Vice President of the Company, during all of which time Mr. Morrow was President and his only superior; and six years and eight months after he, Dovel, left the employ of the Company on December 31, 1929.

It was upon this character of evidence, undisputed in the record, that the District Court directed a verdict in favor of the respondent and that the Circuit Court of Appeals affirmed the judgment of the District Court.

ARGUMENT

No Federal question is presented by the record. The decision does not involve an interpretation of any Federal statute and does not conflict in any way with any decision by this Court or by the Circuit Court of Appeals of any other Circuit, and does not involve any question of general or public importance.

It is asserted in the petition for certiorari that the Circuit Court of Appeals has decided a Federal question in a way probably in conflict with applicable decisions of this Court.

1. It is urged that the Circuit Court of Appeals has enlarged the limited right under statute contrary to Article I, Sec. 8 Cl. 8, Constitution of the United States, or has created a new right under an important question of Federal law not heretofore recognized by this Court which has not been but should be settled by this Court.

The argument is advanced that by the following language used in the decision of the Circuit Court of Appeals, that Court excluded the idea of shop rights and estoppel *in pais* as a defense, or defenses, and that the holding that a right similar to a shop right based upon an estoppel *in pais* so excluded the shop right doctrine and estoppel as defenses as that the effect of the decision is to enlarge the scope of the statute, Title 35, U.S.C.A. Sec. 48, R. S. Sec. 4899:

"No 'shop rights' accrued to the defendant because of the use in making the inventions of its tools and materials, or his time which should have been used in its service. The case therefore comes down to this question: Does a right similar to a shop right arise in defendant to use the inventions in its business because its full time employee, having control of its business to which the inventions specially apply, prior to the issuance of patents and to commercial success, procured their first test and use in that business at the cost and risk of his employer, with no intimation that he expected to charge for such use; the installation being permanent in its nature, involving a large outlay and requiring serious rebuilding of the plant if abandoned; and this use and his employment continuing for years, and more than six years elapsing after the employee had retired from the employment before any assertion was made of his adverse claims as patentee? We think that in such circumstances the patentee is estopped to claim from his employer compensation for past use or to object to continued use of the patented improvements. It is settled that the relation of the United States to its employees in respect to inventions made by them is no different from that of private employers. *United States vs. Dubilier Condenser Corp.*, 289 U. S. 178. Therefore decisions on the rights of the United States are applicable here. This case is substantially controlled by *Gill vs. United States*, 160 U. S. 426. Quite similar also is *Lane and Bodley Co. vs. Locke*, 150 U. S. 193; although it being a suit for equitable relief, laches might be leaned on as a defense more heavily. This Court, in a suit at law, has upheld a defense of estoppel and laches, under defensive equitable pleadings in some respects much like this case: *Ford vs. Huff*, 296 Fed. 652. See also Walker on Patents (Deller's Ed.) Sec. 376. We are of opinion that on the facts appearing no verdict for the plaintiff could lawfully be rendered. One of the minor patents was first used elsewhere, but this does not alter substantially the picture as a whole." (R. p. 472).

We submit that this argument is clearly far-fetched, cir-

cuitous, and untenable. The doctrine which the court denominates as similar to shop rights is in effect shop rights as announced in many cases decided by this Court and by the United States Circuit Courts of Appeals.

Walker on Patents (6th Ed.), Vol. 1, p. 442.

Gill v. U. S. (1896), 160 U. S. 426, 40 L. Ed. 480.

Lane and Bodley v. Locke (1893) 150 U. S. 193, 37 L. Ed. 1049.

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Harley v. U. S. (1905) 198 U. S. 229, 49 L. Ed. 1029.

Hutton v. City of Omaha (1924) 111 Neb. 850, 198 N. W. 146.

McClurg v. Kingsland (1843) 1 How. (U. S.) 202, 11 L. Ed. 102.

Solomons v. U. S. (1890) 137 U. S. 342, 34 L. Ed. 667.

Callahan v. Capron Co. (Dist. R. I. 1922) 280 F. 254.

Tin Decorating Co. v. Metal Package Corp., et al, (Dist. N. Y., 1928) 29 F. (2d) 1006.

The statute which is referred to, and the scope of which it is argued has been enlarged, was in no way involved in the trial of this cause and was not considered by the Court in its decision. Consequently, there cannot be any interpretation or decision which has to do with this statute.

It is clear from the decision that the judgment of the Court is based upon the application of well established principles of law, involving shop rights, estoppel, and

laches, to the facts of the case. It is clear from the authorities that the more recent cases in which the general doctrine of "shop rights", or the doctrine similar to shop rights, is discussed and applied are based upon an estoppel *in pais*. These cases are predominantly suits in which the relation of employer and employee existed at the time of the installation and commencement of use by employer of devices which were or subsequently became patented by the employee.

The cases of *Brant v. Virginia Coal & Iron Co., et al*, 23 L. Ed. 927, 93 U. S. 326 and *Standard Sanitary Mfg. Co. v. Arrott*, 135 F. 750, (C.C.A. 3rd), are not applicable to the instant case, involving as they do entirely different issues. It emphatically appears, however, from a reading of these cases that the decision in the instant case does not in any way present a conflict with them. The difference, if any, in the result, when a rule of law is applied to different facts, does not render the decisions conflicting.

2. The decision is not in conflict with the decisions in *U. S. v. Anciens Etablissements*, 224 U.S. 309, 56 L. Ed. 778, and *DeForest Co. v. U. S.*, 273 U. S. 236, 71 L. Ed. 625, *Wisconsin Steel Co. v. Maryland Steel Co.*, 203 Fed. 403 (C.C.A., 7th Cir.).

The *Anciens Case* was initiated in the U. S. Court of Claims, and claimant claimed royalties from the government for the use of a patented device under an alleged implied agreement. The government contended that the findings of facts did not establish an implied contract as distinguished from a tort, and that, therefore, the Court of Claims, was without jurisdiction. The Court of Claims decided in favor of Claimant, and the decision was affirmed by this Court.

The Claimant was an officer of the French Army, whose patented invention, an ordnance device, was used by the United States in connection with its Army equipment with

the knowledge of the patentee. The facts established and found by the Court of Claims clearly establish an implied agreement to pay compensation.

It could serve no useful purpose to elaborate the circumstances appearing in this record, such as the relationship of employer and employee, the installations at employee's direction, the testing and proving of practicability as a predicate for patent applications, the compensation received by the employee, the fact that the installations were in the direct line of the duties and functions of the employee who had general charge and management of construction and operation of the plants in which the inventions were introduced, the silence of the employee, and the long delay during the period of employment and long thereafter in suggesting a claim, which make it a different case from any case where these peculiar circumstances do not exist.

The Court merely applied to these facts and circumstances the ordinary well established rules by which an implied contract is established or fails of establishment.

The *DeForest Case*, a suit in the Court of Claims, presents the question whether under the facts there was a patent infringement or a use under license. The Court, applying well recognized rules, held that the claimant, having consented to the use, could not hold the government liable in tort.

There is no rule of law declared in the decisions with which the decision in this case conflicts.

3. The objection of respondent to petitioners' Exhibits H, I, J and K, was sustained by the District Court, and the action of the District Court affirmed by the Circuit Court of Appeals, upon general principles of law relating to the admissibility of evidence, and those decisions are not contrary to the weight of authority nor to the decisions in *Anciens Etablissements*, *supra*, *DeForest*, *supra*, or *Wisconsin Steel*, *supra*. These cases do not deal with rulings

upon materiality or admissibility of testimony offered for the purpose of establishing or negating an implied contract.

A comparison of the instant case and the cases referred to does not suggest any such conflict in decisions as is contemplated by Supreme Court Rule 38, which deals with situations authorizing the granting of petitions for certiorari. (R. p. 470).

4. It is asserted in petitioners' petition as a reason relied upon for the allowance of the writ that the Circuit Court of Appeals in affirming the judgment of the District Court in sustaining respondent's objection to the admission in evidence of plaintiff's Exhibit L (letter from Dovel to J. W. McQueen, deceased, then President of respondent) has decided a Federal question in a way probably in conflict with applicable decisions of this Court. In assuming this position, petitioner indulges the idea that the District Court and the Circuit Court of Appeals rejected this evidence on the ground that the addressee McQueen was dead and that, therefore, letters written to him during his lifetime were rendered inadmissible by Title 7, Sec. 433, 1940 Code of Alabama, and that this conclusion was contrary to the decisions of the Supreme Court of Alabama which hold that this is not such a transaction as the statute renders incompetent. Petitioner then asserts that, the decision being in conflict with the decisions of the Supreme Court of Alabama, the District Court has failed to apply the Federal Statute, Title 28, Sec. 631, U.S.C.A., R.S. Sec. 858; June 29, 1906, c. 3608, 34 Stat. 618, providing that the competency of a witness to testify in a civil action, suit or proceeding in the United States shall be determined by the laws of the state or territory in which the court is held. This entire contention is refuted by the record. It appears both from the record and from the decision of the Circuit Court of Appeals that the objection of respondent to this testimony was

sustained upon the ground that it was not material and did not tend to prove any issue in the cause, and not upon the ground that the addressee of the letter was dead at the time of trial. (R. 225-229, 469-470). We submit that this ruling on admissibility of evidence does not constitute or contribute to the basic requirements of the Statute and Rules of Court relating to the granting of Certiorari to Circuit Courts of Appeal.

5. It does not appear from the record that the Circuit of Appeals failed to apply the rules laid down by this Court in *Gunning v. Cooley*, 281 U. S. 90, 74 L. Ed. 720, as to the quantum of evidence which requires submission of a cause to a jury. The scintilla rule does not obtain in the Federal Courts.

CONCLUSION

A Writ of Certiorari will not be granted by this Court to the Circuit Court of Appeals except where there are special and important reasons therefor. (Rule 38. Rules of the Supreme Court). Certiorari will not be granted merely to review evidence or inferences from it. *General Talking Pictures Corporation v. Western Electric Company*, 304 U. S. 175, 82 L. Ed. 1273; *Southern Power Company v. North Carolina Public Service Company, et al*, 263 U. S. 508, 68 L. Ed. 413.

In the case of *United States of America v. James J. Johnson*, 268 U. S. 220, 69 L. Ed. 925, it is said "We do not grant a certiorari to review evidence and discuss specific facts."

It will appear from a reading of the opinion of the Circuit Court of Appeals (R. 468-473) and a casual reading of the record that the issues involved in this case and the decision of the Circuit Court of Appeals do not present reasons for the granting of Certiorari. The case does not in-

volve interpretation of any Federal Statute, and the decision in none of its aspects comes in conflict with decisions of this Court or of the decisions of other Circuit Courts of Appeal, and no question of public interest or of peculiar importance is involved.

We respectfully submit that under the decisions of this Court, the Acts of Congress, and the Rules of the Supreme Court, petitioners are not entitled to a Writ of Certiorari.

Respectfully,

E. L. ALL,

ELLENE WINN,

Attorneys for Respondent

I hereby certify that I have served a copy of the foregoing Reply upon Hon. Hugh A. Locke, Attorney of Record for Petitioners, this _____ day of April, 1944.
